

Attorney General - Department of Law

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	570.9	583.5 ^{1/}	574.7 ^{2/}
Personal Services	30,004,600	30,967,700	30,971,300
Employee Related Expenditures	11,340,000	11,885,700	11,654,400
Professional and Outside Services	765,200	542,400	542,400
Travel - In State	95,300	103,400	103,400
Travel - Out of State	58,800	54,500	54,500
Other Operating Expenditures	6,916,600	6,625,700	7,155,000
Equipment	618,900	22,500	22,500
OPERATING SUBTOTAL	49,799,400	50,201,900	50,503,500
SPECIAL LINE ITEMS			
Capital Postconviction Prosecution	726,200	799,400	795,700
Child Safety and Family Services	1,000,000	0	0
Internet Crimes Against Children Enforcement	0	1,800,000	1,250,000 ^{3/4/}
Federalism Unit	0	1,000,000	995,600
Military Airport Planning	86,100	90,000	85,000 ^{5/}
National Mortgage Settlement Distribution	17,418,700	0	0
Risk Management ISA	8,685,200	9,426,900	9,406,700
Southern Arizona Law Enforcement	0	1,200,000	1,193,000
State Grand Jury	178,200	180,600	180,100
Tobacco Enforcement	0	819,500	816,000
Victims' Rights	3,752,600	3,759,400	3,758,900
AGENCY TOTAL	81,646,400	69,277,700	68,984,500 ^{6/}
FUND SOURCES			
General Fund	23,242,500	23,623,700	24,664,800
<u>Other Appropriated Funds</u>			
Antitrust Enforcement Revolving Fund	148,200	244,800	244,300
Attorney General Legal Services Cost Allocation Fund	1,949,900	2,086,800	2,080,400
Collection Enforcement Revolving Fund	6,455,400	6,869,700	6,845,200
Consumer Protection - Consumer Fraud Revolving Fund	5,195,100	5,094,000	5,575,700
Court-Ordered Trust Fund	17,418,700	0	0
Interagency Service Agreements Fund	14,072,600	15,573,000 ^{1/}	15,508,500 ^{2/}
Internet Crimes Against Children Enforcement Fund	0	1,800,000	900,000
Risk Management Revolving Fund	8,685,200	9,426,900	9,406,700
State Aid to Indigent Defense Fund	726,200	799,400	0
Victims' Rights Fund	3,752,600	3,759,400	3,758,900
SUBTOTAL - Other Appropriated Funds	58,403,900	45,654,000	44,319,700
SUBTOTAL - Appropriated Funds	81,646,400	69,277,700	68,984,500
Other Non-Appropriated Funds	28,472,400	46,042,400	46,222,900
Federal Funds	4,748,700	5,485,900	5,506,800
TOTAL - ALL SOURCES	114,867,500	120,806,000	120,714,200

AGENCY DESCRIPTION — The Attorney General is an elected constitutional officer. The office provides legal counsel to state agencies, represents the state in juvenile dependency matters, enforces civil rights, environmental, consumer protection and anti-trust laws, and investigates and prosecutes criminal cases, handles criminal appeals, and assists county attorneys.

Operating Budget

The budget includes \$50,503,500 and 440.5 FTE Positions in FY 2017 for the operating budget. These amounts consist of:

	FY 2017
General Fund	\$21,976,600
Antitrust Enforcement Revolving Fund	244,300
Attorney General Legal Services Cost Allocation Fund	2,080,400
Collection Enforcement Revolving Fund (CERF)	6,845,200
Consumer Protection - Consumer Fraud (CPCF) Revolving Fund	3,848,500
Interagency Service Agreements (ISA) Fund	15,508,500

These amounts fund the following adjustments:

Shift FTE Positions

The budget includes a decrease of (6.6) FTE Positions in FY 2017 to move FTE authority to the Tobacco Enforcement line item. These amounts include a (0.6) FTE Position from the General Fund and (6) FTE Positions from the CPCF Revolving Fund. A corresponding increase of 6.6 FTE Positions can be found in the Tobacco Enforcement line item.

Shift Operating Funds

The budget includes an increase of \$5,000 from the General Fund in FY 2017. The budget moves those monies from the Military Airport Planning line item to the operating budget in order to make the line item equal to the statutory appropriation of \$85,000 pursuant to A.R.S. § 26-263. A corresponding decrease of \$(5,000) can be found in the Military Airport Planning line item.

One-Time Resources

The budget includes a one-time increase of \$500,000 from the CPCF Revolving Fund in FY 2017 for costs incurred by

the Attorney General for the implementation of various bills passed during the legislative session.

One-Time FTE Positions

The budget includes a decrease of (8.8) FTE Positions from the ISA Fund for a reduction of one-time FTE Positions. These FTEs were appropriated to the AG as a result of their October 2015 request to utilize the ISA Fund reserve appropriation. The budget continues the FY 2016 ISA Fund reserve appropriation of 11 FTE Positions in FY 2017.

Statewide Adjustments

The budget includes a decrease of \$(203,400) in FY 2017 for statewide adjustments. This amount consists of:

General Fund	(96,600)
Antitrust Enforcement Revolving Fund	(500)
Attorney General Legal Services Cost Allocation Fund	(6,400)
CERF	(24,500)
CPCF Revolving Fund	(10,900)
ISA Fund	(64,500)

(Please see the Agency Detail and Allocations section. In addition, please see the Other Issues section for more information on the ISA Fund.)

Capital Postconviction Prosecution

The budget includes \$795,700 and 6 FTE Positions from the General Fund in FY 2017 for Capital Postconviction Prosecution. These amounts fund the following adjustments:

Funding Shift

The budget includes an increase of \$799,400 from the General Fund and a commensurate \$(799,400) decrease from the State Aid to Indigent Defense Fund in FY 2017 for a shift of resources. Since FY 2015, the State Aid to Indigent Defense Fund has been used to support both Capital Postconviction Prosecution and the Department of

1/ In October 2015, the Attorney General notified the JLBC that it expected to use its full FY 2016 ISA Fund appropriation as well as 8.8 FTE Positions of the total 11 FTE Positions and the entire \$800,000 of the ISA Fund reserve appropriation. As a result, the FY 2016 estimate has increased by 8.8 FTE Positions and \$800,000 over the FY 2016 Appropriation Report amount.

2/ Includes 22.2 GF and 112 OF FTE Positions funded from Special Line Items in FY 2017.

3/ On or before June 1, 2016, the department shall submit an expenditure plan for the FY 2017 Internet Crimes Against Children Enforcement line item for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

4/ The \$900,000 appropriation from the Internet Crimes Against Children Enforcement Fund and the \$350,000 appropriation from the state General Fund for the Internet Crimes Against Children Enforcement line item are continuing appropriations and are exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations, through June 30, 2018. (General Appropriation Act footnote)

5/ A.R.S. § 26-263 annually appropriates \$85,000 from the General Fund for Military Airport Planning. Because this appropriation is in permanent statute, it is not included in the General Appropriation Act.

6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

7/ In addition to the \$15,508,500 appropriated from the Interagency Service Agreements Fund in FY 2017, an additional \$800,000 and 11 FTE Positions are appropriated from the Interagency Service Agreements Fund in FY 2017 for new or expanded interagency service agreements. The Attorney General shall report to the Joint Legislative Budget Committee whenever an interagency service agreement is established that will require expenditures from the additional amount. The report shall include the name of the agency or entity with which the agreement is made, the dollar amount of the contract by fiscal year and the number of associated FTE Positions. (General Appropriation Act footnote, as adjusted for statewide allocations)

Public Safety's (DPS) operational costs associated with the Arizona Counter Terrorism Information Center (ACTIC). However, the fund does not receive adequate revenues to support both appropriations. This shift eliminates the issue.

Statewide Adjustments

The budget includes a decrease of \$(3,700) from the General Fund in FY 2017 for statewide adjustments.

This line item funds costs associated with prosecuting capital cases after the initial conviction.

Internet Crimes Against Children Enforcement

The budget includes \$1,250,000 in FY 2017 for the Internet Crimes Against Children (ICAC) Enforcement line item. This amount consists of:

General Fund	350,000
ICAC Enforcement Fund	900,000

This amount funds the following adjustments:

Attorney General Realignment

The budget includes an increase of \$350,000 from the General Fund in FY 2017 to shift funding from the Department of Child Safety's (DCS) ICAC line item to the Attorney General's ICAC Enforcement line item, consolidating all ICAC resources into a single line item. A corresponding decrease of \$(350,000) can be found in the ICAC line item in DCS.

ICAC Enforcement Supplemental Adjustment

The budget includes a decrease of \$(900,000) from the ICAC Enforcement Fund in FY 2017 to bring the appropriation down to the legislatively-intended level. Laws 2016, Chapter 1 provided a FY 2016 supplemental appropriation of \$1,800,000 from the ICAC Enforcement Fund to address a technical issue that prevented the fund from receiving its annual \$900,000 appropriation in both FY 2015 and FY 2016. This adjustment brings the appropriation level down to the intended \$900,000 level.

Laws 2015, Chapter 245 established the ICAC Enforcement Fund that is subject to legislative appropriation and administered by the Attorney General. The intent behind Chapter 245 was to provide \$900,000 in FY 2015 and every year thereafter from the proceeds of lottery games sold from a vending machine in age-restricted areas. Chapter 245 became effective immediately because there was an emergency clause included in the enacted legislation. As a result, deposits to the ICAC Enforcement Fund began in FY 2015. Due to a technical issue, however, none of these monies were

appropriated in FY 2015 or FY 2016. The ICAC Enforcement Fund is expected to have a balance of \$1,800,000 in FY 2016. Laws 2016, Chapter 1 appropriated \$1,800,000 from the ICAC Enforcement Fund to the Attorney General as a FY 2016 supplemental to address this issue.

Chapter 245 also allocates \$100,000 to the Victims' Rights Enforcement Fund from the same proceeds. This fund is continuously appropriated and administered by the Department of Public Safety.

If the lottery games do not produce sufficient funds for the \$900,000 and \$100,000 allocations, as was the case in FY 2015, then unclaimed lottery prize monies will be used to backfill the difference.

Chapter 245 requires the Attorney General to enter into 1 or more intergovernmental agreements to continue operation of the Arizona Internet Crimes Against Children Task Force (AZICAC), led by the Phoenix Police Department. AZICAC is a joint federal/local law enforcement task force that investigates child pornography.

The budget includes 2 new General Appropriation Act footnotes:

- The first requires the Attorney General to submit for JLBC review an expenditure plan for monies in this line item by June 1, 2016. The intent of this provision is to ensure that recipients of ICAC monies will be ready to spend their allotments at the beginning of FY 2017. DCS was subject to a similar footnote in FY 2016.
- The second makes the appropriation in this line item non-lapsing until the end of FY 2018. The intent of this provision is to provide flexibility for recipients of ICAC monies to spend their allotments.

Federalism Unit

The budget includes \$995,600 and 7 FTE Positions from the CPCF Revolving Fund in FY 2017 for the Federalism Unit. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(4,400) from the CPCF Revolving Fund in FY 2017 for statewide adjustments.

This line item provides funding for the Attorney General to defend the state in cases related to federal issues. Some of these legal expenses had previously been borne by the Governor's Office.

Military Airport Planning

The budget includes \$85,000 and 1 FTE Position from the General Fund in FY 2017 for Military Airport Planning. These amounts fund the following adjustments:

Shift Operating Funds

The budget includes a decrease of \$(5,000) from the General Fund in FY 2017. The budget moves those monies from the Military Airport Planning line item to the operating budget in order to make the line item equal to the statutory appropriation of \$85,000 pursuant to A.R.S. § 26-263. A corresponding increase of \$5,000 can be found in the operating budget.

A.R.S. § 26-263 appropriates \$85,000 annually from the General Fund to the Attorney General's Office. Therefore, funding for this line item does not appear in the General Appropriation Act. The legislation sought to preserve the state's military bases by appropriating monies to several state agencies and charging them with certain responsibilities. Monies in this line item pay for the department's duties under the original 2004 legislation, including review and determination of compliance with land use plans.

National Mortgage Settlement Distribution

The budget includes no funding in FY 2017 for National Mortgage Settlement Distribution. This amount is unchanged from FY 2016.

This line item provides assistance to homeowners affected by fraudulent mortgage servicing and foreclosure practices and for other purposes consistent with the National Mortgage Settlement.

Laws 2013, Chapter 118 appropriated approximately \$47.0 million of the National Mortgage Settlement Proceeds to the Attorney General in FY 2013 as a non-lapsing appropriation. To avoid double counting, the FY 2016 and FY 2017 amounts are not displayed in the agency table above. *(Please see National Mortgage Settlement Fund Distribution in the Other Issues section for more information.)*

Risk Management ISA

The budget includes \$9,406,700 and 93 FTE Positions from the Risk Management Revolving Fund in FY 2017 for the Risk Management ISA. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(20,200) from the Risk Management Revolving Fund in FY 2017 for statewide adjustments.

This line item provides funding for the Attorney General's contract with the Risk Management Division of the Arizona Department of Administration. Attorneys from the Attorney General's Office defend the state in most risk management cases regarding agency liability.

Southern Arizona Law Enforcement

The budget includes \$1,193,000 and 13 FTE Positions from the General Fund in FY 2017 for Southern Arizona Law Enforcement. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(7,000) from the General Fund in FY 2017 for statewide adjustments.

This line item provides funding for the Criminal Division's investigations and prosecutions of fraud, corruption, criminal enterprise, drug trafficking, and money laundering cases in Southern Arizona.

Prior to the creation of this line item in the FY 2016 budget, Southern Arizona Law Enforcement was funded in the Attorney General's operating budget. Southern Arizona Law Enforcement received General Fund support through FY 2009; federal monies paid for the program between FY 2010 and FY 2012. The FY 2013 budget provided \$1,200,000 from the General Fund to backfill expired federal monies. The original FY 2014 budget did not fund Southern Arizona Law Enforcement; however, the FY 2015 budget included a \$600,000 FY 2014 supplemental appropriation and a \$1,200,000 appropriation from the CPCF Revolving Fund for FY 2015.

State Grand Jury

The budget includes \$180,100 and 1.6 FTE Positions from the General Fund in FY 2017 for the State Grand Jury. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(500) from the General Fund in FY 2017 for statewide adjustments.

This line item funds expenses incurred by the Attorney General to investigate and try matters that are under the jurisdiction of the State Grand Jury.

Tobacco Enforcement

The budget includes \$816,000 and 6.6 FTE Positions in FY 2017 for Tobacco Enforcement. These amounts consist of:

General Fund	84,400
CPCF Revolving Fund	731,600

These amounts fund the following adjustments:

Shift FTE Positions

The budget includes an increase of 6.6 FTE Positions in FY 2017 to move FTE authority to the Tobacco Enforcement line item. These amounts include a 0.6 FTE Position from the General Fund and 6 FTE Positions from the CPCF Revolving Fund. A corresponding decrease of (6.6) FTE Positions can be found in the operating budget.

Statewide Adjustments

The budget includes a decrease of \$(3,500) in FY 2017 for statewide adjustments. This amount consists of:

General Fund	(500)
CPCF Revolving Fund	(3,000)

This line item funds the Attorney General's enforcement of the Master Settlement Agreement (MSA). The MSA is a settlement reached by major tobacco companies and 46 states in 1998 that requires these companies to compensate states annually for Medicaid costs associated with tobacco use. In exchange for annual payments from the tobacco companies, states agree to diligently enforce tobacco tax laws.

In addition to the monies provided in this line item, the budget requires AHCCCS to transfer \$1,200,000 to the Attorney General for MSA enforcement. As a result, the budget includes a total of \$2,019,500 for the Attorney General to enforce the MSA in FY 2017.

Victims' Rights

The budget includes \$3,758,900 and 6 FTE Positions from the Victims' Rights Fund in FY 2017 for Victims' Rights. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(500) from the Victim's Rights Fund in FY 2017 for statewide adjustments.

This line item provides monies to state and local agencies that are required to notify victims during various steps in the criminal justice process. The program includes 7.68%

of Criminal Justice Enhancement Fund monies and an assessment on parents of juvenile offenders.

Other Issues

This section includes information on the following topics:

- FY 2016 Supplemental
- Additional Legislation
- Attorney General Legal Services Cost Allocation Fund
- Interagency Service Agreements Fund
- Consumer Restitution and Remediation Revolving Fund
- National Mortgage Settlement Fund Distribution
- Standard & Poor's Settlement Fund Distribution

FY 2016 Supplemental

The budget includes a supplemental appropriation of \$1,800,000 from the ICAC Enforcement Fund in FY 2016 to provide the legislatively intended appropriations from the fund in FY 2015 and FY 2016. *(Please see the ICAC Enforcement line item for more information.)*

Additional Legislation

Local Government Laws

Laws 2016, Chapter 35 requires the Attorney General to investigate any ordinance, regulation, order or other official action adopted by a local governmental body that a member of the Legislature alleges violates state law or the Arizona Constitution. As a result of their investigation, the Attorney General is required to submit a written report of the investigation's findings within 30 days to the Governor, Speaker of the House, Senate President, the member(s) that made the request, and the Secretary of State. If the Attorney General finds that the local government has violated a state law or the Arizona Constitution, the local government is then given 30 days to resolve the violation. If the violation is not resolved, the state-shared monies, otherwise designated for the local government, are to be withheld and/or redistributed.

Attorney General Legal Services Cost Allocation Fund

A.R.S. § 41-191.09 requires agencies to pay annually a flat fee to the Attorney General for general legal counsel. The FY 2016 General Appropriation Act set the level of charges at \$1.8 million and specified the charge per agency as required by A.R.S. § 41-191.09. The FY 2017 General Appropriation Act continues language maintaining these charges as required by A.R.S. 41-191.09. See *Table 1* for a

Table 1**FY 2017 Attorney General Legal Services Charges**

<u>Agency</u>	<u>Legal Services Charge</u>
Arizona Department of Administration	\$ 127,700
Office of Administrative Hearings	3,000
Arizona Department of Agriculture	4,200
Commission on the Arts	3,100
Automobile Theft Authority	1,400
Citizens Clean Elections Commission	2,700
State Department of Corrections	2,000
Arizona Criminal Justice Commission	8,700
Arizona Schools for the Deaf and the Blind	100,200
Commission for the Deaf and the Hard of Hearing	4,100
Early Childhood Development and Health Board	47,100
Department of Education	132,000
Department of Emergency and Military Affairs	30,000
Department of Environmental Quality	135,600
Exposition and State Fair Board	20,900
Department of Financial Institutions	1,900
Arizona Department of Forestry and Fire Management	13,400
Department of Gaming	37,300
Arizona Geological Survey ^{1/}	6,800
Department of Health Services	170,000
Arizona Historical Society	700
Department of Housing	19,300
Department of Insurance	10,500
Department of Juvenile Corrections	9,400
State Land Department	2,100
Department of Liquor, Licenses and Control	11,400
Arizona State Lottery Commission	24,800
Arizona State Parks Board	45,800
State Personnel Board	600
Arizona Pioneers' Home	12,100
Commission on Postsecondary Education	1,800
Department of Public Safety	677,400
Radiation Regulation Authority	3,800
Arizona State Retirement System	69,100
Department of Revenue	4,900
Secretary of State	1,800
State Treasurer	9,200
Department of Veterans' Services	52,700
Total Legal Services Charges	\$1,809,500

^{1/} The FY 2017 Agency Consolidation Budget Reconciliation Bill (Laws 2016, Chapter 128) moved the Geological Survey to the University of Arizona in FY 2017.

list of agencies and their corresponding Attorney General Legal Services charge.

The FY 2017 Criminal Justice Budget Reconciliation Bill (Laws 2016, Chapter 119) eliminated the requirement that the JLBC review the funding sources utilized by departments to pay the Legal Services charge. Statute

continues to require the department to annually report to the JLBC on the funding sources utilized to pay the charge.

(Please see the FY 2015 Appropriations Report for a more detailed history on legal services charges.)

Interagency Service Agreements Fund

The Attorney General uses the Interagency Service Agreements (ISA) Fund to receive monies from state agencies for legal services. In FY 2015, the Attorney General spent \$14.1 million, or 95%, of the \$14.8 million appropriation for the ISA Fund.

The FY 2016 budget included \$14.8 million and 125.4 FTE Positions from the ISA Fund with the option to use an additional reserve appropriation of \$800,000 and 11 FTE Positions. In October 2015, the Attorney General notified the JLBC that it expected to use its full FY 2016 ISA Fund appropriation as well as 8.8 FTE Positions of the total 11 FTE Positions and the entire \$800,000 of the reserve appropriation.

The budget increased the FY 2017 ISA Fund appropriation to \$15.5 million and 8.8 FTE Positions with a new reserve of \$800,000 and 11 FTE Positions. The latter dollar amount becomes available upon a report to JLBC.

The Attorney General reports its reserve usage is driven by ISA expansions with the Department of Child Safety, the Game and Fish Department, and the Arizona Health Care Cost Containment System. The Attorney General anticipates legal services needs that require a total ISA Fund appropriation of \$16,373,000 and 10 supplemental FTE Positions in FY 2017. When including the FY 2017 reserve appropriation of \$800,000 and 11 FTE Positions, the budget includes adequate funding and FTE authority for the ISA Fund to meet these requests.

Consumer Restitution and Remediation Revolving Fund

The Attorney General deposits proceeds from consumer protection-related legal settlements into the following funds: 1) the CPCF Revolving Fund; 2) the Consumer Restitution and Remediation Revolving Fund, or 3) the Antitrust Enforcement (AE) Revolving Fund.

The CPCF derives its revenue from any investigative or court costs, attorney fees or civil penalties recovered by the Attorney General as a result of enforcement of either state or federal statutes pertaining to consumer fraud. The AE Revolving Fund consists of monies recovered by the state as a result of antitrust, restraint of trade, or price-fixing activity enforcement.

In 2013, the Legislature created a new Consumer Restitution and Remediation Revolving Fund (Laws 2013, Chapter 143) that the Attorney General would use for monies collected from lawsuits that are reserved for remediation or restitution. Chapter 143 requires JLBC review of any plans to spend monies from this fund on remediation. In addition, A.R.S. § 41-192 directs any monies resulting from compromises or settlements by or against the state, excluding restitution, reimbursement, or CCPF monies, into the General Fund.

The Attorney General is required by several statutes (A.R.S. § 41-192, A.R.S. § 44-1531.01, and A.R.S. § 44-1531.02) to submit quarterly reports to JLBC on the allocation of legal settlement proceeds. These reporting requirements provide legislative oversight on how settlement monies are collected and distributed.

(Please see the FY 2017 Baseline and the FY 2016 Appropriations Report for a more detailed history on consumer protection funds.)

The Consumer Restitution Subaccount of the Consumer Restitution and Remediation Revolving Fund is to be used for monies collected from lawsuits intended to compensate a specific, identifiable person, including the state, for economic loss resulting from violations of consumer protection laws. This subaccount is not subject to legislative appropriation.

The Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund consists of monies collected as a result of a settlement to rectify violations of consumer protection laws, other than monies collected for the benefit of specific, identifiable persons. Monies in this subaccount up to \$3.5 million are continuously appropriated. Any money collected over that amount is subject to legislative appropriation. The Attorney General must submit an expenditure plan to the JLBC for its review before expending any monies in this subaccount.

National Mortgage Settlement Fund Distribution

In 2012, Arizona, along with 49 other states and attorneys general, reached a state-federal settlement with the nation's 5 largest residential mortgage loan servicers. The National Mortgage Settlement is a result of state and federal investigations that the 5 loan servicers did not act legally in signing foreclosure documents, thus acting fraudulently in servicing and foreclosure business practices. The total settlement was \$25 billion, of which Arizona's share was an estimated \$1.3 billion.

The settlement requires Arizona to use the funds received from the settlement "for purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud or unfair or deceptive acts or practices, and to compensate the state for costs resulting from the alleged unlawful conduct of the Defendants."

Of the \$1.3 billion, the Attorney General received approximately \$97.0 million in a direct payment from the National Mortgage Settlement. The FY 2013 General Appropriation Act required the Attorney General to direct \$50.0 million of these monies to the General Fund. After a legal challenge, the Arizona Supreme Court upheld the transfer, and those monies were deposited in FY 2014. *(Please see the FY 2015 Appropriations Report for more information on the transfer.)*

Laws 2013, Chapter 118 appropriated the remainder, approximately \$48.9 million (including earned interest), of the settlement to the Attorney General for distribution pursuant to applicable court orders. In FY 2013 and FY 2014, the Attorney General expended \$0.6 million and \$7.6 million, respectively, to provide assistance to homeowners affected by fraudulent mortgage servicing and foreclosure practices and for other purposes consistent with the settlement. The Attorney General spent \$17.4 million of the non-lapsing appropriation for similar purposes in FY 2015. The FY 2016 General Appropriation Act required the Attorney General to transfer \$15.0 million of the legal settlement to the General Fund by the end of FY 2015. The Attorney General anticipates fully expending the remaining \$8.2 million by the end of September 2016.

The Attorney General's original spending plan allocated \$48.9 million. Below is the Attorney General's revised spending plan of \$33.9 million to reflect the \$15.0 million transfer. The plan includes \$33.9 million from the legal settlement, plus \$10.0 million from a separate settlement with Bank of America not subject to this appropriation.

- \$10.4 million for the Arizona Mortgage Relief Fund, a flexible mortgage loan program designed to provide loans to allow borrowers to remain in their homes;
- \$10.0 million for consumer restitution for eligible consumers who previously filed complaints with the Attorney General's Office against certain foreclosure rescue companies or against Bank of America in connection with their mortgage servicing practices;
- \$7.9 million for enforcement and monitoring;
- \$4.0 million for housing counseling;
- \$2.9 million for legal services;
- \$2.6 million for veterans' housing opportunities;

- \$1.9 million for outreach, marketing, and education;
- \$1.3 million for homeowner advocacy programs at Arizona State University and the University of Arizona;
- \$1.3 million for supportive services;
- \$1.2 million for relocation assistance; and
- \$400,000 for job training.

Arizona's remaining share of the National Mortgage Settlement has already been used to provide approximately \$1.9 billion in consumer relief to Arizona borrowers, including principal reduction, a refinancing program, and payments to foreclosed borrowers. The monitor of the National Mortgage Settlement verified in a March 2014 report that banks satisfied their consumer relief obligations under the settlement.

In addition, approximately 65,000 Arizonans, who were foreclosed on by 1 of the 5 servicers, received payments totaling \$96.5 million.

Standard & Poor's Settlement Fund Distribution

In 2013, Arizona, along with 18 other states, the District of Columbia, and the federal government, sued Standard and Poor's Financial Services, LLC (S&P) for misrepresenting to investors its financial ratings of structured finance securities, such as subprime mortgage-backed bonds. After 2 years of litigation, Arizona received a \$21.5 million settlement. The FY 2016 General Appropriation Act required the Attorney General to direct \$16.0 million of the legal settlement to the General Fund by the end of FY 2016. Of the approximately \$5.5 million remaining, the Attorney General developed the following spending plan:

- \$3.0 million for programs for the homeless;
- \$2.0 million for attorneys' fees; and
- \$500,000 for consumer fraud education.

The \$3.5 million in allocations to homeless programs and consumer fraud education were deposited into the Consumer Restitution and Remediation Revolving Fund – Consumer Remediation Subaccount and are statutorily required to receive JLBC review prior to expenditure. At the April 2016 meeting of the JLBC, these allocations received a favorable review.